BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The opinion of the United States District Court for the Northern District of Illinois, Eastern Division, was filed July 5, 1939 (R. 255). It is not reported in the Federal Supplement, but only in 42 U. S. P. Q., 498.

The opinion of the Circuit Court of Appeals for the Seventh Circuit was filed December 6, 1940 (R. 614). It has not yet been reported in the Federal Reporter, but only in 47 U. S. P. Q., 484. The latter part of the opinion also deals with Appeals No. 7262 and 7263, which are not pertinent in connection with the present petition.

In addition to the above opinions, which are included in the record before this Court, the opinion of the District Court granting the motion for preliminary injunction was filed September 26, 1936, but is unreported.

The opinion of the Court of Appeals reversing the decision of the District Court on motion for preliminary injunction was filed May 13, 1937, and reported 89 Fed. (2d), 916.

Jurisdiction.

Note petition (*supra*, p. 5).

Statement of the Case.

The essential facts and issues of the case are stated in the accompanying Petition for Writ of Certiorari, and in the interest of brevity are not repeated here.

Specification of Errors.

The errors which petitioner will urge if the writ of certiorari is issued are that the Circuit Court of Appeals for the Seventh Circuit erred:

1. By holding that in the case of a licensee-defendant estopped to deny the validity of the patents under which it is licensed, the prior art may be used to present the defense that licensee's devices are not subject to the obligations of the license (although within the terms and scope of the claims), on the ground that such devices follow the prior art "plus ordinary mechanical skill."

2. By failing to hold that a licensee's estoppel precludes such licensee from urging that changes from the prior art which bring a device within the terms of the claims of the licensed patent, do not involve patentable novelty, that is "invention."

3. By failing to properly interpret the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342.

4. By failing to properly use the prior art solely as an aid in construing the scope of the claims of the licensed patents.

5. By failing to hold that the devices involved in the present suit embody the novel constructions set forth in various claims of the patents of the license agreement of February 17, 1934.

Summary of Argument.

1. A defendant-licensee estopped from denying the validity of a patent under which it is licensed is precluded from setting up the defense that its devices follow the prior art *plus "mechanical skill,"* because defendant-licensee is estopped from alleging that the change from the prior art which brings its devices within the terms of the claims does not involve "invention."

2. If the novel doctrine enunciated by the Court of Appeals is correct, the fundamental basis on which a licensor grants a license would be defeated by allowing the licensee (contrary to its expressed covenant in the present case) to indirectly attack the validity of the patent at any time when such licensee might consider it expedient so to do. This would discourage the granting of licenses, to the detriment of the public.

3. The decision of the Court of Appeals fails to correctly interpret the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, and is in conflict with the decision of another Court of Appeals.

4. In the present case the Court of Appeals not only announced a novel — and we believe — incorrect doctrine highly prejudicial to the rights of a licensor and contrary to the public interest, but applied this doctrine to the facts of the present case so that by failing to properly use the prior art solely as an aid to construe the scope of the claims, the defendant-licensee was freed from its obligations under the license agreement of February 17, 1934.

ARGUMENT.

Point 1.

It is undisputed that where there is estoppel to deny the validity of a patent the prior art may be referred to as an aid to construing the scope of the claims.

As stated in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, 351:

> "* * * Of course, the state of the art cannot be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity."

Had this rule been followed in the present case, it is submitted that the proper decision would have been in favor of petitioner, for the prior art did not so limit the claims that respondent's devices would be outside of the scope of such claims.

The Court of Appeals, however, followed its "corollary rule", to the effect that an estopped defendant, such as an assignor or licensee, is at liberty to show that it can escape its contractual obligations if its devices, although coming within the terms of the claims, follow the prior art "plus ordinary mechanical skill".

This is equivalent to saying that the features embodied in the defendant's devices, and which distinguish them from the prior art and are material elements of the licensor's patent claims, must spell "invention" over the prior art, rather than being the result of mere "mechanical skill".

For an estopped licensee to be permitted to raise such an issue is to allow indirectly an attack upon the validity of the patent, and is, we submit, contrary to the holding in

Westinghouse Co. v. *Formica Co.*, 266 U. S., 342, although the question in the present case was not specifically presented in the *Formica* case. In the latter this Court stated, however (p. 349):

> "* * * The rule supported by them" (previous decisions) "is that an assignor of a patent right" (like a licensee under a patent right) "is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant. As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use."

In the *Formica* case an assignor had assigned a patent application directed particularly to a process for making composite electric insulation material, in which a two-step process was used, to wit: first, the application of heat and pressure to the superposed sheets of material and cooling them; and, second, the baking of them under a lower pressure (p. 344).

After the assignment of the application and without the knowledge of the assignor, certain additional claims, numbered 11 and 12, were added, which did not specifically recite the two-step process.

The patent application (p. 346) had pointed out that the process could be used for making articles of various shapes, which might be flat ("planiform") or of other shape ("non-planiform") thus clearly indicating the equivalency of "planiform" and "non-planiform" articles.

The prior art showed that the steps of the process as literally described in Claims 11 and 12 were old (pp. 346, 347).

Discussing the O'Conor patent in suit, this Court stated (p. 354):

> "He proposed to achieve his purpose by use of paper or cardboard, which was old for such purpose, by

a binder of bakelite or phenol and formaldehyde, also well known for such use, by hydraulic pressure of 800 lbs. and steam heat, followed by cooling and then by baking in an oven at high heat and low pressure. *There was indeed nothing new in O'Conor's invention but the two-step of pressure and heat, cooling and baking. If this two-step process was new, and the estoppel requires us to hold as against O'Conor that it was,* his assignee had a right to claim the application of it as new, not only to flat articles of composition but also to non-planiform articles as in the 11th and 12th claims; for though O'Conor had not made such a claim, his original specification foreshadowed it as reasonable. *In view of the art, however, it is very clear that the 11th and 12th claims must be read to include as an essential element of the combination therein claimed, the two-step process. Without this, there was nothing new in them in the field to which they applied.*" (Emphasis ours.)

It is therefore clear that the Court considered that everything save the two-step process was old in this very art, and that since this was the sole new feature and had been set forth specifically in other claims of the O'Conor patent which were made before the assignment, the added claims must be construed to include the two-step process. As thus construed, it was held that the claims did not cover the one-step process used by defendant.

There is nothing in the *Westinghouse* v. *Formica* decision to the effect that the claims would not cover the two-step process if (for example) the defendant had used this, and could show that it involved mere "mechanical skill" over the prior art.

On the other hand, the decision specifically states (p. 354):

> "* * * If this two-step process was new, and *the estoppel requires us to hold as against O'Conor that it was* * * *"

In effect the *Westinghouse* v. *Formica* decision holds that the estoppel required the Court to hold that the novel two-

step process in the combination could be nothing but *patentably* new, as otherwise the validity of the patent itself would, of course, be open to attack.

The Court of Appeals by its so-called "corollary rule" made a novel decision by holding that an estopped defendant could escape its contractual obligations on the basis that its devices followed the prior art *plus "mechanical skill"*. This we submit is fundamentally unsound, since the estoppel, as indicated in *Westinghouse* v. *Formica,* requires a holding that the change from the prior art to the construction of the patent constitutes *patentable* novelty. The defense that this change involved mere mechanical skill is not open to a defendant estopped to deny validity.

Point 2.

If the novel doctrine enunciated by the Court of Appeals, by which a licensee is allowed to indirectly attack the validity of a patent under which it is licensed by urging that its devices follow the prior art *plus "mechanical skill"*, is correct and followed, it is submitted that this would have a disastrous and wide-spread effect in the conduct of business involving patent licenses.

In the case of existing licenses, the licensee might simply refuse to pay royalty and then defend on the ground that his devices merely followed the prior art "plus ordinary mechanical skill", and if successful in such a defense the licensee would have received immunity from patent infringement suits while at the same time failing to perform its own obligations under the license agreement. If unsuccessful in its defense, the licensee would merely have to live up to the terms of the agreement.

As to the future, if a licensee is to be allowed to play fast and loose with his obligations, a patent owner faced with the prospect of having to defend his patent against

attack by his licensee, would justifiably refuse to grant any license at all. The beneficial effect of settling questions of validity and avoiding litigation by granting licenses is "a legitimate and desirable result in itself", as held in *Bement* v. *National Harrow Co.*, 186 U. S., 70, 93. In addition, licenses give the public the benefit of having a larger number of sources of supply, another desirable result. There would certainly be no encouragement to a patent owner to grant a license and give immunity from infringement suits if the licensee would have open to him an indirect attack upon validity on the ground that his devices followed the prior art *plus "mechanical skill"*.

It is therefore submitted that the doctrine enunciated by the Court of Appeals for the Seventh Circuit would be highly detrimental to the public interest.

Point 3.

Under our discussion of Point 1, we have considered in some detail the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342. For the reasons there stated, it is submitted that the "corollary rule" of the Court of Appeals incorrectly interprets the effect of the decision of this Court in that case.

In *Schriber-Schroth Co.* v. *The Cleveland Trust Co.*, decided December 9, 1940, 47 U. S. P. Q., 345, 347, this Court granted the writ of certiorari under similar circumstances. As stated in the decision (p. 347):

> "We granted certiorari, 309 U. S. 648, on a petition which raised, among others, the question whether the Court of Appeals had misinterpreted or unduly limited this Court's earlier decision in this case and its decision in *Permutit Co.* v. *Graver Corp.* * * *"

The effect of the "corollary rule" of the Court of Appeals is also in conflict with the decision of another Court of Appeals, such as *West* v. *Premier Register Table Co.* (C. C. A. 1), 27 Fed. (2d), 653.

In that case a defendant-assignor, estopped to deny validity, manufactured a printing table having features specifically different from those disclosed in the patent. These features were in themselves old as shown in separate prior art patents, and in seeking to obtain a holding of non-infringement the defendant evidently took the position in effect that it merely followed the prior art, "plus ordinary mechanical skill", by combining in one structure elements separately old in the prior art.

Apparently recognizing that the defendant was attempting to indirectly attack validity, the Court held (p. 656):

> "Observing the rule laid down in *Westinghouse Electric & Mfg. Co.* v. *Formica Insulation Co., supra,* that the prior art may be shown to determine the scope of the patent as against an assignor but not to destroy the grant, it discloses nothing to limit or narrow the scope of the patent."

The defendant was held to infringe. In a concurring opinion, Judge Lowell agreed with this conclusion, although making an *obiter* statement that in his opinion the patent in suit did not involve invention. Assuming the correctness of this *obiter* statement, the decision would of course mean that the estopped defendant could not escape infringement on the ground that its device followed the prior art "plus ordinary mechanical skill", although this might in fact be correct.

This conflict of decisions, with consequent confusion, as to the proper interpretation of this Court's decision in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, is an important reason for granting certiorari.

Point 4.

This is not the place to present a detailed analysis of respondent's various devices and the claims of the petitioner's patents.

However, to indicate that the holding of the Court of

Appeals was directly applied to the facts of the present case, so that it is by no means a moot question that is presented to this Court, a few typical instances may be mentioned of the way in which the Court of Appeals applied its novel doctrine.

One of the claims of the license agreement is Claim 6 of the Cohen Patent No. 1,944,922 (R. 366), reading as follows:

> "6. A heating element for cigar-lighters comprising a spiral coil of high resistance wire; a pin to which the inner end of the wire is secured; a mica plate having a hole adapted to snugly fit said pin, the spiral coil being supported on said mica plate; a supporting plate having a passage for the pin substantially larger than the diameter of the pin and having a dished portion adapted to snugly fit said mica plate; and means for holding the mica plate in said dished portion to space the pin from the edge of said passage in the supporting plate to electrically insulate the pin from said supporting plate."

In holding that this claim was not infringed by one of defendant's devices, the prior Zecchini Patent No. 1,437,701 (R. 388) was relied upon by the Court.

The opinion (R. 620) specifies three particulars in which the Zecchini patent was different from the Cohen patent of the license:

(1) The claim specified a mica plate, the function of which is to reflect heat back through the open coils of the igniter resistance coil to the cigar held thereagainst. Respondent used a mica plate having the same function. The Zecchini patent showed an insulating washer of no specified material which under no circumstances could reflect heat back through the igniter coil, because the convolutions of the latter were themselves filled with insulating material.

The Court held (R. 621) that "defendant's choice of mica was merely the exercise of mechanical discretion",

and as we understand the Court's reasoning the claim could not be infringed in this respect by defendant's use of a mica plate in the combination, because the prior Zecchini patent showed an insulating washer, and the Court held that it would be mere "mechanical skill" rather than "invention" to use mica in distinction to any other insulation. Obviously, the prior art was of no use in construing the meaning of the "mica plate" of the claim, for Zecchini did not disclose a mica plate.

(2) The Cohen patent and the defendant used a metal supporting plate "having a dished portion adapted to snugly fit said mica plate" the latter in turn acting to support the igniter coil against inward pressure. The prior Zecchini patent had an insulating washer behind the igniter coil, but this washer did not snugly fit against a dished portion of a metal plate, nor, in fact, was the insulating washer supported in any way save by a very small shoulder on a pin. Thus the assembly in the Cohen patent and the defendant's device on the one hand, and that of the prior Zecchini patent on the other, were quite different.

The Court held (R. 621):

> "* * * Any electrical mechanic building a device following Zecchini and finding it possible mechanically to dispense with one of Zecchini's washers might do so without infringement of a later patent which does the same thing."

Here, again, we find the Court using the prior art, not to determine the scope of the claim, which would be proper, but to hold that there can be no infringement because the defendant followed the prior art plus what the Court considered "mechanical skill".

(3) The Court also held non-infringement on the basis that the "dished portion" of the metal supporting plate for the mica disc in defendant's construction was deeper and more cup-shaped and approached Zecchini

more nearly than it did the "dished portion" of the supporting plate of the Cohen patent. Any such slight difference as this is merely one of degree, the supporting function being the same in the defendant's device as in the Cohen patent. There was no occasion to construe the claim in this respect.

We thus find the Court of Appeals clearing the defendant from its obligations under the license agreement on the basis that defendant's construction follows the prior Zecchini patent *plus "mechanical skill"*, although Zecchini does not disclose the mica disc nor the assembly as set forth in the Cohen claim and used by defendant.

The Court throughout its opinion emphasized the point that in its judgment respondent's devices did not infringe on the ground that they followed the prior art *plus "mechanical skill"*. For example, in connection with certain spring portions giving frictional engagement between the parts of the cigar lighter, the Court held (R. 617):

> "* * * Every mechanic appreciates full well the efficiency of spring fingers as agencies to retain an inserted part. Defendant's reference to such members used for holding chimneys on lamps is pertinent."

In other words, the Court held that non-infringement could be shown on the ground that since spring portions which were important elements of certain claims for the cigar lighter were old in holding chimneys, it would be mere "mechanical skill" to use the same in the cigar lighter.

In concluding the discussion of the particular patent there in question, the Court stated (R. 618):

> "Cohen's device is simpler than Zecchini, and the same is true of the lighter of defendant complained of. But we think the desired simplicity merely the development of mechanical skill and, after considering all the evidence, conclude that everything done by defendant in this respect was suggested by the prior art."

It is believed that further illustrations need not be given at this time to make our point clear that the Court of Appeals applied its incorrect doctrine to the facts of this case, and we submit did grave injustice to petitioner by relieving the respondent from its obligations under the contract, on the ground that respondent's devices followed the prior art *plus "mechanical skill"*.

Conclusion.

It is respectfully submitted that the petition in this case should be granted in order that this Court may decide the very important question as to the proper use of the prior art to be made by a defendant estopped from denying the validity of a patent. While it is believed that the novel doctrine of the Court of Appeals is contrary to the spirit of the holding in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, it is respectfully urged that a clarification of the doctrine (particularly in view of the conflicting decision in *West* v. *Premier Register Table Co.* (C. C. A. 1) 27 Fed. (2d) 653) and a correction of what is believed to be an unsound holding by the Court of Appeals would be greatly to the public benefit.

Respectfully submitted,

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